

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Crawford County Road Commission	County Crawford
Audit Date 9/30/05	Opinion Date 1/5/06	Date Accountant Report Submitted to State: 2/9/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Robertson & Carpenter CPA's PC			
Street Address P.O. Box 308	City Mio	State MI	ZIP 48647-0308
Accountant Signature		Date 2/9/06	

**Crawford County Road Commission
Grayling, Michigan
Financial Report
With Supplementary Information
Year Ended September 30, 2005**

Crawford County Road Commission

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INDEPENDENT AUDITOR'S REPORT

Board of County Road Commissioners
Crawford County
Grayling, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Crawford County Road Commission as of and for the year ended September 30, 2005, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Crawford County Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Crawford County Road Commission as of September 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 9 and pages 28-29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter LLP
Certified Public Accountants
January 5, 2006

CRAWFORD COUNTY ROAD COMMISSION **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Crawford County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts--management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Commission as a Whole

Government-Wide Statements

The statement of net assets and the statement of activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Reporting the Commission as a Whole (Continued)

Fund Financial Statements

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page 3. The fund financial statements begin on page 4 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 4.4%, or \$108,553, from \$2,482,612 to \$2,591,165 for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets decreased by \$62,413 during the year ended September 30, 2005. The primary reason for the decrease was declining gasoline tax revenue.

The investment in capital assets, net of related debt increased by \$170,966. The increase in net assets is primarily the result of additional investment in capital assets and reduction in long term debt for the year ending September 30, 2005. The depreciation for the current year's infrastructure additions are depreciated in the current year.

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

Net assets as of the years ended September 30, 2005 and 2004 follow:

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$2,184,665	\$1,665,888	\$ 518,777	31 %
Capital Assets	<u>2,408,318</u>	<u>2,336,764</u>	<u>71,554</u>	3 %
Total Assets	<u>4,592,983</u>	<u>4,002,652</u>	<u>590,331</u>	15 %
Long-Term Debt Outstanding	837,771	931,559	(93,788)	(10) %
Other Liabilities	<u>1,164,047</u>	<u>588,481</u>	<u>575,566</u>	98 %
Total Liabilities	<u>2,001,818</u>	<u>1,520,040</u>	<u>481,778</u>	32 %
Net Assets				
Invested in Capital Assets				
Net of Debt	1,634,917	1,463,951	170,966	12 %
Restricted	<u>956,248</u>	<u>1,018,661</u>	<u>(62,413)</u>	1 %
Total Net Assets	<u>\$2,591,165</u>	<u>\$2,482,612</u>	<u>\$108,553</u>	4 %

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

Changes in Net Assets

A summary of changes in net assets for the years ended September 30, 2005 and 2004 follow:

	<u>Governmental Activities</u>	
	2005	2004
Program Revenue		
License and Permits	\$ 19,886	\$ 18,584
Federal Grants	643	61,505
State Grants	2,759,628	2,629,659
Contributions From Local Units	77,014	175
Charges for Services	962,094	986,383
Investment Earnings	14,655	8,196
Property Rentals	2	3,902
Other Contributions	16,639	101,580
General Revenue		
Gain (Loss) on Equipment Disposal	<u>(30)</u>	<u>8,897</u>
Total Revenue	<u>\$ 3,850,531</u>	<u>\$ 3,818,881</u>
Expenses		
Public Works	3,691,016	3,762,106
Interest Expense	<u>50,962</u>	<u>57,332</u>
Total Expenses	<u>3,741,978</u>	<u>3,819,438</u>
Increase (Decrease) in Net Assets	<u>\$ 108,553</u>	<u>\$ (557)</u>

The Road Commission's Fund

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended September 30, 2005, the fund balance of the general operations fund decreased \$57,360 as compared to an increase of 267,354 in the fund balance for the year ended September 30, 2004. Total operating revenues were \$3,850,531, an increase of \$16,809 as compared to last year. This change in revenues resulted primarily from an increase in State Other (federal/state exchange) \$253,007, and decreases in Michigan Transportation Funds due to reduced gas tax collections \$119,279; Federal Aid (STP) \$60,862; Proceeds from Lease Purchases \$14,841. Total expenditures were \$3,907,891, an increase of \$341,523 as compared to last year. This change in expenditures is due primarily to increases in primary road heavy maintenance projects of \$192,030; Equipment Expense of \$98,405

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

A summary of changes in the Operating Fund for the years ended September 30, 2005 and 2004 follows:

	9/30/05 Operating Fund	9/30/04 Operating Fund	Favorable (Unfavorable) Variance	Variance %
<u>Revenues</u>				
License and Permits	\$ 19,886	\$ 18,584	\$ 1,302	7 %
Federal Grants	643	61,505	(60,862)	(99) %
State Grants	2,759,628	2,629,659	129,969	5 %
Contributions From Local Units	77,014	175	76,839	439 %
Charges for Services	962,094	986,383	(24,289)	(2) %
Interest and Rents	14,657	12,098	2,559	21 %
Other Revenue	16,609	110,477	(93,868)	(85) %
Total Revenues	<u>3,850,531</u>	<u>3,818,881</u>	<u>31,650</u>	1 %
<u>Expenditures</u>				
Public Works	4,015,666	3,782,344	233,322	6 %
Net Capital Outlay	(258,719)	(364,477)	105,758	29 %
Debt Service	150,944	148,501	2,443	2 %
Total Expenditures	<u>3,907,891</u>	<u>3,566,368</u>	<u>341,523</u>	10 %
Excess of Expenditures Over (Under) Revenues	<u>(57,360)</u>	<u>252,513</u>	<u>(309,873)</u>	(123) %
Other Financing Sources				
Proceeds From Lease	<u>-0-</u>	14,841	(14,841)	n/a
Total Other Financing Sources	<u>-0-</u>	<u>14,841</u>	<u>(14,841)</u>	n/a
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(57,360)</u>	<u>267,354</u>	<u>(324,714)</u>	(121) %
Fund Balance—Beginning	<u>1,081,395</u>	<u>814,041</u>	<u>267,354</u>	22 %
Fund Balance—Ending	<u>\$1,024,035</u>	<u>\$ 1,081,395</u>	<u>\$ (57,360)</u>	(5) %

**CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The budget was not amended for the year ended September 30, 2005. The actual revenue recognized during the year ended September 30, 2005 was less than the budget by \$324,833. The largest areas of revenue shortfall were in Federal Aid and State Forest Road, there were also immaterial unfavorable variances in other revenue line-items. (See Page 28 for details)

The budget was \$267,473 more than the actual expenditures recognized during the year ended September 30, 2005. Primary Road Heavy Maintenance was \$378,733 under budget while Primary Road Maintenance was \$189,999 over budget. Local Road Heavy Maintenance was \$126,922 under budget, while Local Road Maintenance was \$296,586 over budget. Equipment Expenses was \$171,590 over budget and Capital Outlay was \$460,719 under budget. There were a few unfavorable variances in expenditure line-items. (See Page 29 for details)

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2005, the Road Commission had invested \$2,408,318 in capital assets. This amount represents a net increase (including additions and deductions) of \$71,554 or 3% as follows:

	<u>2005</u>	<u>2004</u>	Total Percentage Change <u>2004/2005</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 73,092	\$ 73,092	-0- %
Subtotal	73,092	73,092	-0- %
Capital Assets Being Depreciated			
Buildings	1,924,597	1,924,597	-0- %
Equipment	3,785,139	3,724,648	2 %
Depletable	50,282	50,282	-0- %
Infrastructure	367,972	22,804	151 %
Subtotal	6,127,990	5,722,331	7 %
Total Capital Assets	6,201,082	5,795,423	7 %
Total Accumulated Depreciation	(3,792,764)	(3,458,659)	10 %
Total Net Capital Assets	\$ 2,408,318	\$ 2,336,764	3 %

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration (Continued)

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$345,168. The infrastructure recorded, during the year ended September 30, 2005, was depreciated in the current year, with the exception of a road project that was not completed until November, 2005. The infrastructure is financed through federal, state and local contributions.

This year's capital asset additions included the following:

Infrastructure – roads	\$ 345,168
Road Equipment	86,827
Office Equipment	<u>3,312</u>
Total Additions	<u>\$ 435,307</u>

During the year ended September 30, 2005, the Road Commission traded in and/or disposed of equipment (road, shop, office and engineer) with a purchase amount of \$29,648, related depreciation of \$29,617, and net book value of \$31.

Debt

At the year end, the Road Commission had \$773,401 in bonds and capitalized leases versus \$872,813 last year, a decrease of 11% as shown below:

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	<u>% of</u> <u>Variance</u>
Bonds Payable	\$ 330,000	\$ 390,000	\$ (60,000)	(15) %
Capitalized Leases	<u>443,401</u>	<u>482,813</u>	<u>(39,412)</u>	(8) %
Total	<u>\$ 773,401</u>	<u>\$ 872,813</u>	<u>\$ (75,839)</u>	(9) %

During the year ended September 30, 2005, the Road Commission did not incur any new long term debt.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note 9 to the financial statements.

CRAWFORD COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year ending September 30, 2006 budget. One of the factors is the economy. The Road Commission derives approximately 63% of its revenues from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive the same Michigan Transportation Fund revenues in the year ended September 30, 2006. The Road Commission received approximately 2% of its revenues from township contributions during the year ended September 30, 2005, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During the year ended September 30, 2006, we expect to receive at least \$500,000 in federal and state aid for road projects. The above items were considered when adopting the budget for the year ended September 30, 2006. Amounts available for appropriation in the budget are \$3,989,622, a decrease of 4% over the year ended September 30, 2005 budget of \$4,175,364.

Contacting the Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Crawford County Road Commission's administrative offices at 500 Huron, P.O. Box 648, Grayling Michigan, 49738-0648.

Basic Financial Statements

Crawford County Road Commission
Statement of Net Assets
September 30, 2005

ASSETS

Cash	\$ 1,420,924
Accounts Receivable:	
State Department of Transportation:	
Motor Vehicle Highway Funds	412,905
Trunkline Maintenance	56,022
Other	-
Due on County Road Agreements	31,019
Sundry	2,152
Inventories:	
Road Materials	92,734
Equipment Material and Parts	86,421
Prepaid Insurance	68,248
Deferred Expense	14,240
Capital Assets (Net of Accumulated Depreciation)	2,408,318
Total Assets	<u>4,592,983</u>

LIABILITIES

Current Liabilities	
Accounts Payable	357,800
Accrued Liabilities	55,098
Accrued Interest	3,417
Advances	233,344
Deferred Revenue - Other	514,388
Noncurrent Liabilities	
Bonds Payable - Due Within One Year	60,000
Capitalized Leases - Due Within One Year	275,864
Bonds Payable - Due After One Year	270,000
Capitalized Leases - Due After One Year	167,537
Compensated Absences - Due After One Year	64,370
Total Liabilities	<u>2,001,818</u>

Net Assets

Investment in Capital Fixed Assets	
Net of Related Debt	1,634,917
Restricted for County Road	956,248
Total Net Assets	<u>\$ 2,591,165</u>

See Accompanying Notes to Financial Statements

Crawford County Road Commission
Statement of Activities
Year Ended September 30, 2005

Program Expenses

Primary Road Maintenance	\$ 811,156
Local Road Maintenance	1,370,729
State Trunkline Maintenance and Non-Maintenance	955,387
Net Equipment Expense	171,590
Net Administrative Expense	361,636
Infrastructure Depreciation	2,542
Salt Storage Sheds Depreciation	12,352
Interest Expense	50,962
Compensated absences	5,624
	<hr/>

Total Program Expenses	<hr/> 3,741,978 <hr/>
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Program Revenues

Licenses and Permits	19,886
Federal Aid	643
State Aid	2,759,628
Contributions from Local Units	77,014
Charges for Services	962,094
Investment Earnings	14,655
Property Rentals	2
Other Contributions	16,639
	<hr/>

Total Program Revenues	<hr/> 3,850,561 <hr/>
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Net Program Revenues	108,583
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General Revenue

Gain on Equipment Disposal	<hr/> (30) <hr/>
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Total General Revenue	<hr/> (30) <hr/>
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Change in Net Assets	108,553
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Net Assets ----- October 1, 2004	<hr/> 2,482,612 <hr/>
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Net Assets ----- September 30, 2005	\$ <hr/> 2,591,165 <hr/>
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See Accompanying Notes to Financial Statements

Crawford County Road Commission
Balance Sheet
September 30, 2005

	Governmental Fund Type
	General Operating Fund
<u>ASSETS</u>	
Cash	\$ 1,420,924
Accounts Receivable:	
State Department of Transportation:	
Motor Vehicle Highway Funds	412,905
Trunkline Maintenance	56,022
Other	-
Due on County Road Agreements	31,019
Sundry	2,152
Inventories:	
Road Materials	92,734
Equipment Material and Parts	86,421
Prepaid Insurance	68,248
Deferred Expense	14,240
Total Assets	<u>\$ 2,184,665</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 357,800
Accrued Liabilities	55,098
Advances	233,344
Deferred Revenue - Other	514,388
Total Liabilities	<u>1,160,630</u>
Fund Equities	
Fund Balance	
Unreserved and Undesignated	1,024,035
Total Fund Equities	<u>1,024,035</u>
Total Liabilities and Fund Equities	<u>\$ 2,184,665</u>
Total Governmental Fund Balance	\$ 1,024,035
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets is	\$ 6,201,082
Accumulated depreciation is	<u>(3,792,764)</u>
	2,408,318
Long term liabilities are not due and payable in the current period and are not reported in the fund statements.	
Bonds payable	(330,000)
Capitalized leases	(443,401)
Compensated absences	(64,370)
Accrued interest is not included as a liability in governmental funds	<u>(3,417)</u>
Net Assets of Governmental Activities	\$ <u>2,591,165</u>

See Accompanying Notes to Financial Statements

Crawford County Road Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended September 30, 2005

Revenues

Licenses and Permits	\$ 19,886
Federal Aid	643
State Aid	2,759,628
Contributions from Local Units	77,014
Charges for Services	962,094
Interest and Rents	14,657
Other Revenue	<u>16,609</u>

Total Revenues	<u>3,850,531</u>
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Expenditures

Public Works	4,015,666
Net Capital Outlay	(258,719)
Debt Service	<u>150,944</u>

Total Expenditures	<u>3,907,891</u>
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Excess of Revenues Over (Under) Expenditures	(57,360)
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Other Financing Sources

Proceeds From Lease Purchase Agreements	<u>-</u>
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Total Other Financing Sources	<u>-</u>
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Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(57,360)
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Fund Balance ----- October 1, 2004	<u>1,081,395</u>
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Fund Balance ----- September 30, 2005	<u><u>\$ 1,024,035</u></u>
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See Accompanying Notes to Financial Statements

Crawford County Road Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended September 30, 2005

Net Change in Fund Balance - Total Governmental Funds	\$	(57,360)
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation expense.

Depreciation expense	\$	(363,722)	
Capital Outlay		435,307	
			71,585

Accrued interest is recorded in the statement of activities when incurred; it is not recorded in governmental funds until paid	569
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	60,000
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Repayment of capitalized lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	39,413
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Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	(5,624)
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Capitalized lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the statement of net assets	-
--	---

Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities	(30)
--	------

Change in Net Assets of Governmental Activities	\$	<u>108,553</u>
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See Accompanying Notes to Financial Statements

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Crawford County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Crawford County Road Commission.

A. Reporting Entity

The Crawford County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member elected Board of County Road Commissioners, appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to the County Board of Commissioner's approval. The Crawford County Road Commission has not levied any taxes.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Crawford County Road Commission, a component unit of Crawford County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Crawford County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and then modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

D. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

**Crawford County Road Commission
Notes to Financial Statements
September 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Crawford County Road Commission as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-year's-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	33-50 years	Office Equipment	5-10 years
Road Equipment	5-8 years	Depletable Assets	5-10 years
Shop Equipment	10 years	Roads	8-30 years
Engineering Equipment	5-10 years	Bridges	12-50 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the operating fund Statement of Net Assets.

Compensated Absences (Vacation and Sick Leave)

The Road Commission allows its employees to accumulate vacation pay to the maximum of 15 days and accumulate an unlimited number of sick pay hours. The sick pay vests when an employee attains the age of 55 and 5 years of seniority. The potential liability for these benefits at September 30, 2005 is approximately \$64,370 and has been recorded in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and adopts the budget following the public hearing. The budget is amended as necessary during the year, and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budget Violations

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations are as follows:

	Final Budget	Actual	Variance
Primary Road Maintenance	\$ 716,288	\$ 906,287	\$ 189,999
Local Road Maintenance	890,000	1,186,586	296,586
Local Road Structure Maintenance	-	11,065	11,065
State Trunkline Nonmaintenance	-	27,542	27,542
Equipment Expense Net	-	171,590	171,590
Administrative Expense	325,000	361,636	36,636

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

The cash and investments are classified by in the following categories:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ 1,420,724
Investments in Securities, Mutual Funds, etc.	-
Petty Cash and Cash on Hand	200
	<u>\$ 1,420,924</u>

Michigan Compiled Laws, Section 129.91, authorized the Road Commission to deposit and invest in the accounts of federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government for federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated with the two highest classifications, which mature not more than 270 days after the purchase date; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of Public Act 20 of 1943.

The deposits of the Road Commission were reflected in the accounts of three financial institutions at \$1,423,729, of which \$161,536 is covered by federal depository insurance.

The Road Commission did not have any investments at September 30, 2005 which are subject to risk categorization.

The Road Commission has not adopted an investment policy that conforms to Governmental Accounting Standards Board Statement #40.

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 4 - DEFERRED COMPENSATION PLAN

The Crawford County Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Crawford County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the Crawford County Road Commission's financial statements

NOTE 5 - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2004, the Federal aid received and expended by the Road Commission was \$ - 0 - for contracted projects and \$61,505 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated contracts are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

NOTE 6 - LEASE COMMITMENT

At September 30, 2005 the Road Commission had a lease commitment for the Managing Director's vehicle. The lease was entered into on December 30, 2003, requires a monthly payment of \$546, concluding on December 30, 2006. Lease expense for the year ended September 30, 2005 was \$5,456.

Future lease payments are due as follows: Year ended September 30:

	2006	\$	6,547
	2007		<u>1,637</u>
Total		\$	<u><u>8,184</u></u>

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 7 - CAPITAL ASSETS

Capital asset activity of the Crawford County Road Commission for the current year was as follows:

	Beginning Balances 10/1/04	Additions	Deductions	Ending Balances 9/30/05
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 73,092	\$ -	\$ -	\$ 73,092
Capital Assets Being Depreciated				
Buildings	1,924,597	-	-	1,924,597
Equipment - Road	3,514,385	86,827	29,426	3,571,786
Equipment - Shop	63,297	-	-	63,297
Equipment - Office	141,983	3,312	222	145,073
Equipment - Engineer	4,983	-	-	4,983
Depletable Assets	50,282	-	-	50,282
Infrastructure - Roads	22,804	345,168	-	367,972
Subtotal	<u>5,722,331</u>	<u>435,307</u>	<u>29,648</u>	<u>6,127,990</u>
Less Accumulated Depreciation				
Buildings	513,535	46,760	-	560,295
Equipment - Road	2,744,977	296,963	29,395	3,012,545
Equipment - Shop	52,001	2,451	-	54,452
Equipment - Office	94,686	14,673	222	109,137
Equipment - Engineer	4,068	333	-	4,401
Depletable Assets	49,107	-	-	49,107
Infrastructure - Roads	285	2,542	-	2,827
Subtotal	<u>3,458,659</u>	<u>363,722</u>	<u>29,617</u>	<u>3,792,764</u>
Net Capital Assets Being Depreciated	<u>2,263,672</u>	<u>71,585</u>	<u>31</u>	<u>2,335,226</u>
Total Net Capital Assets	<u>\$ 2,336,764</u>	<u>\$ 71,585</u>	<u>\$ 31</u>	<u>\$ 2,408,318</u>

Depreciation expense was charged to the programs of the Crawford County Road Commission as follows:

Net Equipment Expense	\$ 327,505
Net Administrative Expense	21,323
Infrastructure	2,542
Salt Storage Sheds	12,352
Total Depreciation	<u>\$ 363,722</u>

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT

The Road Commission for Crawford County provides pension benefits for all of its full time employees through a defined benefit plan. The Road Commission is in an agent multi-employer plan with Municipal Employees Retirement System of Michigan (MERS). The year ended December 31, 1993 was the first year of participation in this plan.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis, to the State's local government employees in the most efficient and effective manner possible. As such, MERS was a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries. The Road Commission has no fiduciary responsibility for the plan.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

A member may retire with an age and service allowance after completing: (1) at least 10 years of credited service, and (2) attaining the minimum retirement age of 60.

Final Average Compensation (FAC) is the average of a member's monthly pay during the period of 60 consecutive months of credited service.

Credited service is a combination of the prior service a member accrued prior to their employer joining MERS and the membership service that accrues after that date. Because MERS is a state-wide retirement system with over 450 member municipalities, credited service can be a combination of service with several employers.

The age and service allowance is the normal retirement benefit and is payable monthly for the lifetime of a member. It equals a 2.0% or 2.25% of a member's FAC, dependent upon the member's division multiplied by the number of years of credited service.

A member in service may retire with an early retirement benefit in one of two manners: (1) by completing at least 15 years of credited service and attaining age 55, or (2) by completing at least 25 years of credited service and attaining age 50. The early retirement benefit is computed in the same manner as an age and service allowance but reduced by 1/2 of 1% for each month the retirant is younger than the minimum service retirement age.

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)

If a member leaves MERS covered employment before attaining the early retirement age, but after completing 10 or more years of service, the member becomes eligible for a deferred allowance, provided the member or the member's designated beneficiary lives to the member's minimum service retirement age and the member's accumulated contributions remain on deposit.

A member with 10 or more years of credited service who becomes totally and permanently disabled from other than duty related causes is eligible for a non-duty disability benefit computed in the same manner as an age and service allowance, based upon the member's service and salary at time of disability.

A member who becomes totally and permanently disabled due to a duty related injury or disease is eligible for a duty disability benefit computed in the same manner as an age and service allowance based upon a minimum of 10 years of service. In the case of both non-duty and duty disability benefits, there is a limitation on total compensation received by a disability retiree of 100% of the member's final average compensation. Continuing medical examinations are required as indicated by the board's medical advisor.

Upon the death of a member who had completed at least 10 years of credited service, the member's eligible surviving dependents would receive the following benefits: (1) the surviving spouse receives an allowance equal to 85% of the amount the deceased would have received, computed upon the deceased member's service and salary at the time of death, (2) when no spouse benefit is payable, the dependent children under age 21 each receive an equal share of 50% of an age and service allowance computed upon the deceased member's service and salary at the time of death. A beneficiary of a duty related death would receive the higher of 85% of the amount the deceased member would have received or 25% of the FAC. In a duty related death, the 10 years of credited service requirement is waived.

Actuarial Accrued Liability

The Actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)

At December 31, 2004, for Crawford County Road Commission, the assets were less than the actuarial accrued liability by \$2,537,441 determined as follows:

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 1,987,200
Terminated employees not yet receiving benefits	159,247
Non-vested terminated employees (pending refunds of accumulated member contributions)	6,423
Current employees -	
Accumulated employee contributions including allocated investment income	273,737
Employer financed	<u>2,445,665</u>
Total Actuarial Accrued Liability	4,872,272
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$2,279,073)	<u>2,334,831</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>\$ 2,537,441</u></u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ 122,716	100%	\$ -
1998	125,868	100%	-
1999	125,920	100%	-
2000	154,781	100%	-
2001	140,107	100%	-
2002	174,799	100%	-
2003	191,302	100%	-
2004	205,426	100%	-

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT -(Continued)

The total payroll was \$1,402,659 and covered payroll for the year ended September 30, 2005 was \$1,329,085. The Road Commission was required to deposit \$205,078 for its contribution. The members of the collective bargaining unit were required to contribute 3.2% of compensation until July 1, 2002 when the rate changed to 4.3% as a result of changing to the B-3 benefit, the managing director contributes 2.93% and the other employees were required to contribute 1.6% of compensation, which is \$50,839. The actual amount contributed to the plan was \$255,917 which is the sum of the employer and employee contributions.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
1993	\$ 67,010	\$ 918,118	\$ 851,108	7%	\$ 680,886	125%
1994	154,438	1,087,887	928,449	15%	731,062	127%
1995	290,130	1,579,566	1,289,436	18%	871,240	148%
1996	404,056	1,836,022	1,431,966	22%	869,858	165%
1997	629,507	2,065,386	1,435,879	30%	897,424	160%
1998	826,858	2,394,161	1,567,303	35%	851,795	184%
1999	1,057,610	2,245,134	1,187,524	47%	927,753	128%
2000	1,295,227	3,206,258	1,911,031	40%	1,296,931	147%
2001	1,534,472	3,286,555	1,752,083	47%	1,251,488	140%
2002	1,785,770	4,008,597	2,222,827	45%	1,292,341	172%
2003	2,097,570	4,407,387	2,309,817	48%	1,254,731	184%
2004	2,334,831	4,872,272	2,537,441	48%	1,336,640	190%

Notes: Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. Total retired life assets and liabilities are reflected in MERS this schedule beginning in 1984. The funding method was changed to entry age normal for the 1993 valuation.

Annual Required Contribution

The Annual Required Contribution (ARC) for the plan year beginning January 1, 2006 is \$219,324. Significant actuarial assumptions used in determining the ARC are mentioned under the "Actuarial Accrued Liability" section of this note. The amortization factor used ranges from .053632 to .119963 depending on the term in years of underfunded liabilities.

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 9 - LONG-TERM DEBT

The Long-Term Debt of the Road Commission is composed of eight items; six capitalized leases, vested vacation and sick leave and Act 51 Bonds payable.

Terms of the vested vacation and sick pay are shown in Note 1 - Compensated Absences.

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities				
Capitalized leases	\$ 482,813	\$ (39,412)	\$ 443,401	\$ 275,864
Act 51 bonds	390,000	(60,000)	330,000	60,000
Compensated absences	58,746	5,624	64,370	-
	<u>\$ 931,559</u>	<u>\$ (93,788)</u>	<u>\$ 837,771</u>	<u>\$ 335,864</u>

Capitalized Leases

<u>Payable to:</u>	<u>Lease Date</u>	<u>Equipment</u>	<u>Principal Due</u>
Caterpillar Financial			
Monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/06 Interest rate 6.00%	1/18/01	Motor Grader	\$ 127,354
Caterpillar Financial			
Monthly payments of \$1,250 with a final payment of \$126,548 due 1/20/06 Interest rate 6.00%	1/18/01	Motor Grader	127,760
Caterpillar Financial			
Monthly payments of \$705 with a final payment of \$70,705 due 6/14/07 Interest rate 4.50%	6/14/02	938G Loader	78,573
Caterpillar Financial			
Monthly payments of \$347 with a final payment of \$90,347 due 6/14/07 Interest rate 4.50%	6/14/02	950G Loader	90,234
Caterpillar Financial			
Quarterly payments of \$4,298 with a final payment due 1/20/07 Interest rate 4.50%	4/20/02	Soil Drum Compactor	19,480
Total Capitalized Leases			<u>\$ 443,401</u>

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 9 - LONG-TERM DEBT (Continued)

The Act 51 Bonds were issued June 18, 1990 in the amount of \$1,000,000 for the purpose of defraying part of the cost of acquiring and constructing a maintenance garage facility. Interest payments are required semi-annually on February 1st and August 1st. Principal payments are due annually on August 1st. Interest rates varied from 6.8% to 9.12%.

The bonds were refunded on October 21, 1997 with a resulting weighted average interest rate of 6.418%. The net present value savings of the refinancing is \$41,837 with a net cumulative savings of \$55,819. The first call date for the bonds is August 1, 2007 with the first callable maturity being August 1, 2008.

A schedule of the outstanding debt follows:

<u>Payment Date</u>	<u>Outstanding Principal</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Annualized Total</u>
Feb - 2006		\$ 9,592	\$ 9,592	
Aug - 2006	\$ 60,000	11,880	71,880	\$ 81,472
Feb - 2007		6,676	6,676	
Aug - 2007	65,000	6,677	71,677	78,353
Feb - 2008		5,100	5,100	
Aug - 2008	65,000	5,100	70,100	75,200
Feb - 2009		3,475	3,475	
Aug - 2009	70,000	3,475	73,475	76,950
Feb - 2010		1,690	1,690	
Aug - 2010	70,000	(3,310)	66,690	68,380
	<u>\$ 330,000</u>	<u>\$ 50,355</u>	<u>\$ 380,355</u>	

Total debt payments due in future years are shown below:

	<u>Capitalized Leases</u>		<u>Act 51 Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 275,864	\$ 16,634	\$ 60,000	\$ 21,472
2007	167,537	4,905	65,000	13,353
2008	-	-	65,000	10,200
2009	-	-	70,000	6,950
2010	-	-	70,000	(1,620)
Total	<u>\$ 443,401</u>	<u>\$ 21,539</u>	<u>\$ 330,000</u>	<u>\$ 50,355</u>

Crawford County Road Commission
Notes to Financial Statements
September 30, 2005

NOTE 10 - STATE REVENUE - ALLOCATION

The Road Commission transferred 30.0% of the primary allocation to the Local Road Fund. The transfer was an "optional" transfer in the amount of \$429,010.

NOTE 11 - STATE MAINTENANCE

The State of Michigan has completed the audit of the State Trunkline Maintenance contract for the year ended September 30, 2003. This audit shows that the State owes the Road Commission \$4,917. This amount is reflected in the financial statements as of September 30, 2005.

NOTE 12 - POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 8, the Road Commission provides postretirement health care benefits for retirees who are between the ages of 62 and 65. The Road Commission pays the premium for the retiree and one half of the premium expense for spouse coverage. This benefit is established by union contract and is funded on a pay-as-you go basis. This cost for this benefit for the year ended September 30, 2005 was \$51,871.

NOTE 13 - INTERFUND TRANSFER

An interfund transfer in the amount of \$41,943 was made with the amount being transferred from the County Road Commission Fund to the Local Road Fund to prevent the Local Road Fund from ending the year in a deficit.

Required Supplementary Information

**Crawford County Road Commission
Required Supplementary Information
Statement of Revenues and Other Financing Sources
Budgetary Comparison Schedule
Year Ended September 30, 2005**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits:				
Permits	\$ 28,000	\$ 28,000	\$ 19,886	\$ (8,114)
Federal Aid:				
Surface Trans. Program	533,364	533,364	643	(532,721)
State Aid:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	4,499	(5,501)
Primary Road	1,400,000	1,400,000	1,430,034	30,034
Local Road	990,000	990,000	1,007,457	17,457
Snow Removal	-	-	64,631	64,631
Economic Development:				
Forest Road	89,000	89,000	-	(89,000)
Other State	-	-	253,007	253,007
Contributions From Local Units:				
Townships	150,000	150,000	77,014	(72,986)
Charges For Services:				
Trunkline Maintenance	960,000	960,000	933,047	(26,953)
Trunkline Nonmaintenance	-	-	27,542	27,542
Salvage Sales	-	-	1,505	1,505
Interest and Rents:				
Interest Earned	15,000	15,000	14,655	(345)
Property Rentals	-	-	2	2
Other Revenues:				
Gain (Loss) on				
Equipment Disposals	-	-	(30)	(30)
Other Contributions	-	-	16,639	16,639
Total Operating Revenue	<u>4,175,364</u>	<u>4,175,364</u>	<u>3,850,531</u>	<u>(324,833)</u>
Other Financing Sources				
Proceeds From Lease Purchase Agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Financing Sources	4,175,364	4,175,364	\$ <u>3,850,531</u>	\$ <u>(324,833)</u>
Fund Balance - October 1, 2004	<u>644,874</u>	<u>644,874</u>		
Total Budget	\$ <u><u>4,820,238</u></u>	\$ <u><u>4,820,238</u></u>		

**Crawford County Road Commission
Required Supplementary Information
Statement of Expenditures
Budgetary Comparison Schedule
Year Ended September 30, 2005**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road:				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	628,770	628,770	250,037	378,733
Maintenance	716,288	716,288	906,287	(189,999)
Local Road:				
Heavy Maintenance	300,000	300,000	173,078	126,922
Maintenance	890,000	890,000	1,186,586	(296,586)
Primary Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	11,065	(11,065)
State Trunkline:				
Maintenance Expense	960,000	960,000	927,845	32,155
Nonmaintenance	-	-	27,542	(27,542)
Equipment Expense - Net				
Direct			714,163	
Indirect			363,911	
Operating			217,992	
Less: Equipment Rentals			<u>(1,124,476)</u>	
	-	-	171,590	(171,590)
Administrative Expense - Net				
Administrative Expense			453,744	
Less: Overhead -State Trunkline			<u>(89,950)</u>	
Other Overhead			-	
Handling Charges			<u>(2,158)</u>	
	325,000	325,000	361,636	(36,636)
Capital Outlay (Net)				
Capital Outlay			90,139	
Less: Depreciation Credits			<u>(348,828)</u>	
Equipment Retirements			<u>(30)</u>	
	202,000	202,000	(258,719)	460,719
Debt Service:				
Principal Payments	99,500	99,500	99,413	87
Interest Expense	<u>53,806</u>	<u>53,806</u>	<u>51,531</u>	<u>2,275</u>
Total Expenditures	4,175,364	4,175,364	<u>\$ 3,907,891</u>	<u>\$ 267,473</u>
Fund Balance - September 30, 2005	<u>644,874</u>	<u>644,874</u>		
Total Expenditures	<u>\$ 4,820,238</u>	<u>\$ 4,820,238</u>		

Supplementary Information

**Crawford County Road Commission
General Operating Fund
Analysis of Changes in Available Operating Balances
Year Ended September 30, 2005**

	Primary Road Fund	Local Road Fund	County Road Commission Fund	TOTAL
Total Operating Revenues	\$ 1,720,456	\$ 1,161,026	\$ 969,049	\$ 3,850,531
Total Expenditures	<u>1,296,808</u>	<u>1,683,292</u>	<u>927,791</u>	<u>3,907,891</u>
Excess of Revenues Over/(Under) Expenditures	<u>423,648</u>	<u>(522,266)</u>	<u>41,258</u>	<u>(57,360)</u>
Other Financing Sources (Uses):				
Proceeds From Lease Purchase Agreements	-	-	-	-
Optional Transfers In (Out)	(429,010)	429,010	-	-
Interfund Transfers In (Out)	<u>-</u>	<u>41,943</u>	<u>(41,943)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(429,010)</u>	<u>470,953</u>	<u>(41,943)</u>	<u>-</u>
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other (Uses)	(5,362)	(51,313)	(685)	(57,360)
Beginning Fund Balance - October 1, 2004	<u>532,068</u>	<u>51,313</u>	<u>498,014</u>	<u>1,081,395</u>
Ending Fund Balance - September 30, 2005	\$ <u><u>526,706</u></u>	\$ <u><u>-</u></u>	\$ <u><u>497,329</u></u>	\$ <u><u>1,024,035</u></u>

**Crawford County Road Commission
General Operating Fund
Analysis of Revenues
Year Ended September 30, 2005**

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Licenses and Permits:				
Permits	\$ 19,886	\$ -	\$ -	\$ 19,886
Federal Aid:				
Surface Trans. Program	-	643	-	643
State Aid:				
Michigan Transportation Fund:				
Engineering	2,609	1,890	-	4,499
Primary Road	1,430,034	-	-	1,430,034
Local Road	-	1,007,457	-	1,007,457
Snow Removal	-	64,631	-	64,631
Economic Development:				
Forest Road	-	-	-	-
Other State	253,007	-	-	253,007
Contributions From Local Units:				
Townships	-	77,014	-	77,014
Charges For Services:				
Trunkline Maintenance	-	-	933,047	933,047
Trunkline Nonmaintenance	-	-	27,542	27,542
Salvage Sales	-	1,505	-	1,505
Interest and Rents:				
Interest Earned	4,296	1,892	8,467	14,655
Property Rentals	-	2	-	2
Other Revenues:				
Gain (Loss) on Equipment Disposals	(23)	-	(7)	(30)
Other Contributions	10,647	5,992	-	16,639
Total Operating Revenue	<u>1,720,456</u>	<u>1,161,026</u>	<u>969,049</u>	<u>3,850,531</u>
Other Financing Sources				
Proceeds From Lease Purchase Agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>\$ 1,720,456</u>	<u>\$ 1,161,026</u>	<u>\$ 969,049</u>	<u>\$ 3,850,531</u>

**Crawford County Road Commission
General Operating Fund
Analysis of Expenditures
Year Ended September 30, 2005**

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Primary Road:				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	250,037	-	-	250,037
Maintenance	906,287	-	-	906,287
Local Road:				
Heavy Maintenance	-	173,078	-	173,078
Maintenance	-	1,186,586	-	1,186,586
Primary Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road Structure:				
Heavy Maintenance	-	-	-	-
Maintenance	-	11,065	-	11,065
State Trunkline:				
Maintenance Expense	-	-	927,845	927,845
Nonmaintenance	-	-	27,542	27,542
Equipment Expense (Net) (Per Page 29)	39,053	79,300	53,237	171,590
Administrative Expense (Net)(Per Page 29)	128,373	233,263	-	361,636
Capital Outlay (Net) (Per Page 29)	(177,886)	-	(80,833)	(258,719)
Debt Service:				
Principal Payments	99,413	-	-	99,413
Interest Expense	51,531	-	-	51,531
Total Expenditures	\$ <u>1,296,808</u>	\$ <u>1,683,292</u>	\$ <u>927,791</u>	\$ <u>3,907,891</u>